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UNCLAS SECTION 1 OF 2 KINGSTON 2205
PORT OF SPAIN FOR AMB LAWRENCE
E.O. 12065: NA
TAGS: PINT, ECON, IMF, JM
SUBJECT: MANLEY'S MARCH 25 SPEECH ON CABINET'S IMF DECISION
1. SUMMARY: PRIME MINISTER MICHAEL MANLEY FORMALLY ANNOUNCED MARCH 25 BEFORE PARLIAMENT THAT THE CABINET FULLY ACCEPTED THE PEOPLE'S NATIONAL PARTY'S (PNP) NATIONAL EXECUTIVE COUNCIL'S (NEC) RECOMMENDATION TO STOP FURTHER NEGOTIATIONS WITH THE IMF. ACCORDING TO MANLEY THE ORGINAL BREAKDOWN OF NEGOTIATIONS WITH THE IMF IN JANUARY CAUSED THE NEC TO CREATE AN ECONOMIC COMMITTEE TO STUDY THE ALTERNATIVE TO CONTINUED RELIANCE ON THE FUND. THE RESULT OF THE COMMITTEES WORK WAS A VOTE ON MARCH 23 TO DISCONTINUE IMF NEGOTIATIONS. THIS DECISION IN THE PM'S RECOUNTING WAS STRONGLY INFLUENCED BY FINANCE MINISTER ERIC BELL'S ASSESSMENT THAT JAMAICA COULD NVER MEET THE IMF'S PROPOSED TEST ON NET FOREIGN ASSETS. THE RELUCTANCE OF BELL TO AGREE TO THE IMF TERMS COUPLED WITH THE NEC PROPOSAL CONVINCED THE CABINET TO VOTE AGAINST CONTINUED
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RELIANCE ON THE FUND. HOWEVER, THE PRIME MINISTER STRESSED THAT JAMAICA WILL REMAIN A MEMBER OF THE IMF AND WILL HONOR ALL OF ITS "INTERNATIONAL COMMITMENTS". IN ORDER TO DO THIS THE PM STATED IT WOULD BE NECESSARY TO RESCHEDULE JAMAICA'S DEBTS. NEGOTIATIONS TO ACHIEVE THIS HAVE ALREADY STARTED. END SUMMARY
2. AFTER DELAYING FOR SEVERAL HOURS PRIME MINISTER MANLEY FINALLY GAVE HIS SPEECH CONFIRMING THE CABINETS DECISION TO SEEK AN ALTERNATE FORM OF ECONOMIC DEVELOPMENT TO THAT OFFERED BY CONTINUED RELIANCE ON THE IMF. HE ASSERTED THAT THE NATIONAL EXECUTIVE COUNCIL (NEC) HAD ESTABLISHED ITS ECONOMIC COMMISSION TO EXAMINE ALTERNATIVES TO THE CONTINUED ASSOCIATION WITH THE IMF ONLY AFTER THE FIRST BREAKDOWN OF NEGOTIATIONS WITH THE FUND WHEN IT BECAME CLEAR THAT AN AGREEMENT ACCEPTABLE TO THE COUNTRY MIGHT NOT BE ACHIEVED. THE ESTABLISHMENT OF THIS COMMISSION
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AND THE COURSE OF THE NEGOTIATIONS ACCORDING TO MANLEY LED TO THE DECISION TO DISCONTINUE ATTEMPTS TO SEEK A SHORT TERM AGREEMENT WITH THE FUND. IN MANLEY'S CHRONOLOGY, THE MEETING OF THE NEC OF MARCH 8-9 HAD CENTERED AROUND DISCUSSION OF THE ADVANTAGES AND DISADVANTAGES OF CONTINUING TO HAVE AN AGREEMENT WITH THE IMF. THIS MEETING HAD UNANIMOUSLY REJECTED ANOTHER EXTENDED FUND FACILITY AGREEMENT WITH THAT BODY BUT HAD BEEN INCONCLUSIVE ABOUT A SHORT TERM AGREEMENT. THIS FAILURE TO REACH A DECISION RESULTED FROM THE STATE OF NEGOTIATIONS BETWEEN THE GOJ AND THE IMF AS WELL AS THE INCOMPLETENESS OF THE ECONOMIC COMMISSION'S REPORT ON THE ALTERNATIVES.

MANLEY NOW CONTENDS, IN DIRECT CONTRADICTION TO PUBLISHED REPORTS, THAT HE NEVER SUPPORTED CONTINUING AN IMF AGREEMENT. ACCORDING TO THE PRIME MINISTER, HE ONLY ADDRESSED THE ADVANTAGES AND DISADVANTAGES OF BOTH OF THE CHOICES AND LET THE DEBATE PROCEED.

3. IN THE PERIOD BETWEEN THE MARCH 8-9 MEETING OF THE NEC AND THE

CONFERENCE HELD MARCH 22-23 IN OCHO RIOS, NEGOTIATIONS CONTINUED WITH THE IMF. MANLEY SAID THAT AGREEMENT WAS REACHED BY THE PARTIES ON TWO OF THREE IMPORTANT AREAS. THE GOJ ACCEPTED PROPOSALS ON THE NET BANKING SYSTEM CREDIT TO THE PUBLIC SECTION AND ON THE NET DOMESTIC ASSESTS TESTS, BUT SERIOUS RESERVATIONS REMAINED ON THE NET FOREIGN ASSETS TO BE MAINTAINED. ON MARCH 21 ERIC BELL TOLD THE CABINET OF HIS RESERVATIONS ABOUT JAMAICA'S ABILITY TO MEET THE IMF TESTS IN THIS AREA. BY THE NEXT DAY THE FINANCE MINISTER HAD DECIDED THAT IT WOULD BE IMPOSSIBLE FOR JAMAICA TO MEET THE CONDITIONS CONCERNING FOREIGN EXCHANGE RESERVES. IT WAS THEN DECIDED TO COMMUNICATE THIS FEELING TO THE FULL NEC. AFTER

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PORT OF SPAIN FOR AMB LAWRENCE
ANOTHER OUTLINE OF THE BENEFITS AND PROBLEMS OF THE ALTERNATIVES.
A VOTE WAS TAKEN WITH THE NEC RECOMMENDING BY MORE THAN TWO TO ONE
THAT A FURTHER AGREEMENT WITH THE IMF NOT RPT NOT BE MADE.
MANLEY CONTINUED BY SAYING BELL ONCE AGAIN PRESENTED HIS RESERVA-
TIONS ABOUT JAMAICA'S ABILITY TO MEET THE IMF TEST TO THE
CABINET WHICH THEN VOTED TO ACCEPT THE NEC'S RECOMMENDATIONS. THE
PRIME MINISTER STRESSED THAT THE CABINET WAS FULLY AWARE OF THE
HARD WORK, DISIPLINE AND SACRIFICE NEEDED TO PURSUE THE ALTERNATE
COURSE, BUT WAS DETERMINED NOT TO ACCEPT THE CONDITIONALITY
OF THE IMF'S TERMS. FOREIGN EXCHANGE IS THE CRUX OF THE PROBLEM
BUT ALTERNATIVES ARE BEING DEVISED TO INSURE THAT JAMAICA WILL HAVE
THE NECESSARY FOREIGN EXCHANGE TO MEET THE NEEDS OF THE NATION.
THE PROPSALS ON HOW THIS WILL BE
ACCOMPLISHED WILL BE MADE IN SHORT ORDER TO THE PRIVATE SECTOR,
THE UNIONS AND OTHER AFFECTED GROUPS.
THE PRIME MINISTER THEN GAVE THE FIRST OUTLINES OF THE NEW
ECONOMIC APPROACH. THE GOVERNMENT HAS ALREADY APPROACHED THE
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BANKING COMMUNITY ABOUT THE RESCHEDULING OF THE COUNTRIES DEBTS.
A MEETING WILL BE HELD IN NEW YORK EARLY IN APRIL WITH MEMBERS
OF THE INTERNATIONAL BANKING COMMUNITY ON THIS SUBJECT. SECONDLY
THE PRIME MINISTER AFFIRMED THAT JAMAICA WILL REMAIN A MEMBER
OF THE IMF AND WILL CONTINUE TO HONOR ITS COMMITTMENTS TO THE FUND.
THE GOVERNMENT HAS NO INTENTION OF REPUDIATING ITS DEBTS
BUT NEEDS RESCHEDULING IN ORDER TO BE ABLE TO MEET ITS COMMITMENTS.
THE NEC'S ECONOMIC COUNCIL WILL BE WORKING CLOSELY WITH THE
GOVERNMENT TO WORK OUT ALL DETAILS OF THE ALTERNATIVE.
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